

By: Frank Madala

5.B. No. 1492

A BILL TO BE ENTITLED

AN ACT

relating to economic incentives for corporations located in distressed counties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter I, Chapter 151, Tax Code, is amended by adding Section 151.4292 to read as follows:

Sec. 151.4292. TEMPORARY REFUNDS FOR CERTAIN BUSINESSES LOCATED IN DISTRESSED COUNTIES. (a) In this section:

(1) "Direct materials" means materials used in a manufacturing process that become a part, component, or subassembly of the manufactured product.

(2) "Distressed county" means a county:

(A) that has a poverty rate above 15.4 percent;

(B) in which at least 25.4 percent of the adult population does not hold a high school diploma or high school equivalency certificate; and

(C) that has an unemployment rate that has remained above 4.9 percent during the preceding five years.

(3) "Mexican border states" means the states of Tamaulipas, Nuevo Leon, Coahuila, and Chihuahua of the United Mexican States.

(b) A business described by Subsection (c) is eligible for a refund of the tax imposed by this chapter on purchases of capital assets and direct materials made during a three-year period

1 beginning on the date the business initially qualifies for the
2 refund.

3 (c) A business qualifies for a refund under this section if
4 the business is located in a distressed county and is a new or
5 expanded business operation:

6 (1) in which the value of direct materials sourced
7 from this state or a Mexican border state exceeds an amount equal to
8 20 percent of the total cost of the resulting manufactured product;

9 (2) that pays entry level employees, after initial
10 training, a minimum salary at least equal to the higher of:

11 (A) \$8.50 an hour; or

12 (B) an amount equal to at least 90 percent of the
13 county's average wage rate;

14 (3) that creates at least 15 entry level jobs at the
15 start of the new or expanded business operation;

16 (4) that has a minimum financial investment in capital
17 equipment of \$750,000; and

18 (5) that, except as provided by Subsection (e), is
19 located in an enterprise zone or foreign trade zone if such a zone
20 is located in the distressed county.

21 (d) For purposes of Subsection (c)(1), the value of direct
22 materials is determined by the invoice price paid for the materials
23 and the value added by the manufacturing process.

24 (e) A business located in a distressed county in which there
25 is an enterprise zone or foreign trade zone and that meets the
26 requirements prescribed by Subsections (c)(1)-(4) may apply to the
27 comptroller for a waiver of the requirement prescribed by

1 Subsection (c)(5). The comptroller shall grant the waiver if the
2 business demonstrates to the comptroller's satisfaction that the
3 business cannot obtain, after initial screening and training, the
4 high quality of workforce from the zone residents that the business
5 requires to operate the business's technical equipment or
6 production processes.

7 (f) A business that receives a three-year refund period
8 under Subsection (b) is entitled to an additional five-year refund
9 period if the business has, during the three-year period of the
10 initial refund:

11 (1) expanded its capital investment by at least 20
12 percent;

13 (2) created at least a number of new jobs equal to 20
14 percent of the workforce at the time the business received the
15 initial exemption; and

16 (3) had its sales grow by more than 100 percent.

17 (g) This section expires September 1, 2010.

18 SECTION 2. Subchapter B, Chapter 171, Tax Code, is amended
19 by adding Section 171.088 to read as follows:

20 Sec. 171.088. TEMPORARY EXEMPTION--CORPORATIONS LOCATED IN
21 DISTRESSED COUNTIES. (a) In this section, "direct materials,"
22 "distressed county," and "Mexican border state" have the meanings
23 assigned by Section 151.4292.

24 (b) A corporation is exempted from the franchise tax for a
25 five-year period if the corporation is located in a distressed
26 county and is a new or expanded business operation:

27 (1) in which the value of direct materials sourced

1 from this state or a Mexican border state exceeds an amount equal to
2 20 percent of the total cost of the resulting manufactured product;

3 (2) that pays entry level employees, after initial
4 training, a minimum salary at least equal to the higher of:

5 (A) \$8.50 an hour; or

6 (B) an amount equal to at least 90 percent of the
7 county's average wage rate;

8 (3) that creates at least 15 entry level jobs at the
9 start of the new or expanded business operation;

10 (4) that has a minimum financial investment in capital
11 equipment of \$750,000; and

12 (5) that, except as provided by Subsection (d), is
13 located in an enterprise zone or foreign trade zone if such a zone
14 is located in the distressed county.

15 (c) For purposes of Subsection (b)(1), the value of direct
16 materials is determined by the invoice price paid for the materials
17 and the value added by the manufacturing process.

18 (d) A corporation located in a distressed county in which
19 there is an enterprise zone or foreign trade zone and that meets the
20 requirements prescribed by Subsections (b)(1)-(4) may apply to the
21 comptroller for a waiver of the requirement prescribed by
22 Subsection (b)(5). The comptroller shall grant the waiver if the
23 corporation demonstrates to the comptroller's satisfaction that
24 the corporation cannot obtain, after initial screening and
25 training, the high quality of workforce from the zone residents
26 that the corporation requires to operate the corporation's
27 technical equipment or production processes.

1 (e) A corporation that receives a five-year exemption under
2 Subsection (b) is entitled to an additional five-year exemption if
3 the corporation has, during the five-year period of the initial
4 exemption:

5 (1) expanded its capital investment by at least 20
6 percent;

7 (2) created at least a number of new jobs equal to 20
8 percent of the workforce at the time the corporation received the
9 initial exemption; and

10 (3) had its sales grow by more than 100 percent.

11 (f) This section expires September 1, 2010.

12 SECTION 3. Subchapter B, Chapter 481, Government Code, is
13 amended by adding Section 481.0225 to read as follows:

14 Sec. 481.0225. PRIORITY TO DISTRESSED COUNTIES. In
15 providing services and administering programs under the
16 commission's jurisdiction, the commission shall give priority to
17 distressed counties, as that term is defined by Section 151.4292,
18 Tax Code.

19 SECTION 4. Section 302.002, Labor Code, is amended by
20 adding Subsection (g) to read as follows:

21 (g) In providing services under this subtitle, the
22 executive director shall ensure that the commission and local
23 workforce development boards give priority to distressed counties,
24 as that term is defined by Section 151.4292, Tax Code.

25 SECTION 5. (a) Except as provided by Subsection (b), this
26 Act takes effect September 1, 2003, and applies to taxes imposed on
27 or after that date. Taxes imposed before that date are governed by

1 the law in effect on that date, and the former law is continued in
2 effect for purposes of the liability for and collection of those
3 taxes.

4 (b) Section 171.088, Tax Code, as added by this Act, applies
5 to a report originally due on or after January 1, 2004.

6 (c) On the expiration of Section 151.4292, Tax Code, as
7 added by this Act, on September 1, 2010, a person entitled to a
8 refund under that section before that date continues to be entitled
9 to the refund after that date as provided by that section, and that
10 section continues in existence on and after September 1, 2010, only
11 for that purpose.

12 (d) On the expiration of Section 171.088, Tax Code, as added
13 by this Act, on September 1, 2010, a corporation entitled to an
14 exemption under that section before that date continues to be
15 entitled to the exemption after that date as provided by that
16 section, and that section continues in existence on and after
17 September 1, 2010, only for that purpose.

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MAR 13 2003

MAR 20 2003

Filed with the Secretary of the Senate

Read and referred to Committee on FINANCE

Reported favorably _____

Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

Ordered not printed

Laid before the Senate

Senate and Constitutional Rules to permit consideration suspended by: { unanimous consent
_____ yeas, _____ nays

Read second time, _____, and ordered engrossed by: { unanimous consent
a viva voce vote
_____ yeas, _____ nays

Senate and Constitutional 3 Day Rule suspended by a vote of _____ yeas, _____ nays.

Read third time, _____, and passed by: { A viva voce vote
_____ yeas, _____ nays

SECRETARY OF THE SENATE

OTHER ACTION:

Engrossed

Sent to House

Engrossing Clerk _____

Received from the Senate

Read first time and referred to Committee on _____

Reported ____favorably (as amended) (as substituted)

Sent to Committee on (Calendars) (Local & Consent Calendars)

Read second time (comm. subst.) (amended); passed to third reading (failed) by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

Constitutional rule requiring bills to be read on three several days suspended (failed to suspend) by a vote of _____ yeas, _____ nays, _____ present, not voting.

Read third time (amended); finally passed (failed to pass) by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

Returned to Senate.

Returned from House without amendment.

Returned from House with _____ amendments.

Concurred in House amendments by a viva voce vote _____ yeas, _____ nays.

CHIEF CLERK OF THE HOUSE

_____ Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

_____ Senate conferees instructed.

_____ Senate conferees appointed: _____, Chairman; _____
_____, _____, and _____

_____ House granted Senate request. House conferees appointed: _____, Chairman;
_____, _____, _____.

_____ Conference Committee Report read and filed with the Secretary of the Senate.

_____ Conference Committee Report adopted on the part of the House by: _____

{ a viva voce vote
_____ yeas, _____ nays

_____ Conference Committee Report adopted on the part of the Senate by:

{ a viva voce vote
_____ yeas, _____ nays

OTHER ACTION:

_____ Recommitted to Conference Committee

_____ Conferees discharged.

_____ Conference Committee Report failed of adoption by: _____

{ a viva voce vote
_____ yeas, _____ nays